GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:4313
ANSWERED ON:15.12.2000
ACTUAL PERFORMANCE OF PSUS
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Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

(a) the number and details of Public Sector Undertakings who have signed Memorandum of Understandings during 1999-2000 along with their features ;

(b) whether Memorandum Of Understanding system of performance evaluation of Public Sector Undertakings is adequate to assess the actual Performance ;

(c) if so, the manner by which the Government propose to explain the mismatch between actual performance and outstanding MOU Ratings;

(d) whether a single yardstick will able to assess performance of different PSUs invarious sectors varying from Petroleum, Engineering to Airlines, with varying performance parameters ; and

(e) the manner by which the Government propose to justify a CPSU which hadthree accidents in a year being rated outstanding solely because the rating system is showed in favour of financial performance?

Answer

THE MINISTER OF STATE FOR HEAVY INDUSTRIES & PUBLIC ENTERPRISES (DR. VALLABHBHAI KATHIRIA)

(a) 108 PSUs signed the MOUs with their respective Administrative Ministries for the year 1999-2000. The MOU documents include the common features such as mission statement, objectives, matrix of performance criteria indicating commitments of PSEs, assistance sought from the Government, delegation of powers, the information flow and the past performance during the last 5 years.

(b) to (e) In order to assess the actual performance of the PSUs, the parameters areselected in such a way that it represents the most important activities of the management. The weightage to various performance parameters is assigned according to the importance of activities. The performance of the PSUs isevaluated with reference to pre-determined targets. Accordingly, the PSUs are categorised as Excellent, Very Good, Good, Fair and Poor depending upontheir actual achievements. Further, the MOU system provides a common method of performance evaluation of PSUs operating under different sectors.This is done through an approach where the suitable parameters are selected after a great deal of discussion and are quantified. Under the present system only the financial parameters are common to all the PSUs, rest of theparameters are PSU-specific and are included in the MOU documents keeping in view the nature of operations of the PSUs. 60% weight was assigned to thefinancial parameters mainly with the objective of making the managements of the PSUs conscious of the profitability, increasing competitive environment and their financial viability. Recently, a decision has been taken to rationalise the weightage system under the MOU by making it more relevant to the PSUs operating under different conditions. The existing situation provides that a PSU can be rated as Excellent so long as it is able to achieve the required levels of performance though it may have passed through a difficult situation like accidents, etc.